

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

New Jersey Turnpike Authority

December 31, 2000 and 1999 with Report of Independent Auditors

New Jersey Turnpike Authority

Financial Statements and Supplementary Information

December 31, 2000

Contents

Report of Independent Auditors .....	1
Financial Statements	
Statements of Revenues and Expenses.....	3
Statements of Assets, Liabilities and Fund Balances .....	4
Statements of Changes in Fund Balances .....	5
Statements of Cost of Investment in Facilities.....	6
Notes to Financial Statements.....	7
Supplementary Information	
Schedule of Investments .....	18
Schedule of Cash Receipts and Disbursements .....	19
Schedule of Bond Indebtedness.....	20
Schedule of Toll Revenue .....	22

## Report of Independent Auditors

To the Commissioners  
New Jersey Turnpike Authority

We have audited the accompanying statements of assets, liabilities and fund balances of the New Jersey Turnpike Authority (the “Authority”), a component unit of the State of New Jersey, as of December 31, 2000 and 1999, and the related statements of revenues and expenses, changes in fund balances and cost of investment in facilities for the years then ended. These financial statements are the responsibility of the Authority’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2, the accompanying financial statements were prepared on the modified cash basis of accounting to comply with the provisions of the Authority’s 1991 Turnpike Revenue Bond Resolution as amended, restated and supplemented and on the Authority’s interpretation of such resolution, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of the Authority as of December 31, 2000 and 1999, and its revenues and expenses, and changes in its fund balances, and the cost of investment in facilities for the years then ended, on the basis of accounting described in Note 2.

Our audits were made for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the aforementioned financial statements. Such information, except for that portion marked “unaudited” on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the aforementioned financial statements taken as a whole.

EY

March 23, 2001

# New Jersey Turnpike Authority

## Statements of Revenues and Expenses

	<b>Year ended December 31</b>	
	<b>2000</b>	<b>1999</b>
Revenues:		
Toll revenue	\$392,035,258	\$369,497,031
Income from investments	11,491,645	8,845,059
Concession revenue	15,311,079	15,496,837
Miscellaneous revenue	1,568,542	1,741,869
ETC Project – System Proceeds	15,928,210	8,800,113
Total revenues	436,334,734	404,380,909
Transfer from Construction Fund (1999)	–	44,981,943
Total revenues and interfund transfers (1999)	436,334,734	449,362,852
Operating expenses:		
Executive office	1,404,937	1,360,804
Public affairs	383,909	350,140
Law	896,028	1,041,136
Finance and budgets	2,644,442	2,477,218
Human resources	1,835,064	1,870,828
Technology and administrative services	6,548,952	6,391,125
Operations	2,677,572	2,706,448
State police	20,029,524	19,069,408
Toll collection	57,673,336	57,320,710
Maintenance	34,333,733	33,002,475
Engineering	1,532,955	1,884,679
Non-departmental	7,010,331	7,867,447
Employee benefits	27,420,986	27,513,019
Snow	2,393,565	1,729,472
Cash discounts	(109)	(1,842)
Total operating expenses before payment to ETC - Project Fund	166,785,225	164,583,067
ETC - Project Fund payment	6,211,725	3,432,044
Total operating expenses	172,996,950	168,015,111
Total revenues and interfund transfers (1999) in excess of operating expenses before net debt service	263,337,784	281,347,741
Debt service:		
Interest expense, Turnpike Revenue Bonds	169,623,447	154,976,643
Transfer to Debt Service Fund	34,315,000	82,365,159
Transfer to Charges Fund	1,458,556	1,113,000
Total debt service	205,397,003	238,454,802
Less interest earnings supplied from Construction Fund	(8,400,000)	(19,509,130)
Less capitalized interest	(40,323,617)	–
Net debt service	156,673,386	218,945,672
Total revenues and interfund transfers (1999) in excess of operating expenses and net debt service	106,664,400	62,402,069
Interfund transfers:		
To Maintenance Reserve Fund	(25,660,000)	(25,034,000)
To Special Project Reserve Fund	(19,999,290)	(20,000,000)
To ETC - Special Project Fund payment	(9,716,485)	(5,368,069)
To General Reserve Fund	(39,288,625)	–
To General Reserve Fund for Payment to the Transportation Trust Fund	(12,000,000)	(12,000,000)
Total revenues and interfund transfers (1999) in excess of operating expenses, net debt service and interfund transfers	\$ –	\$ –

*See accompanying notes.*

New Jersey Turnpike Authority

Statements of Assets, Liabilities and Fund Balances

December 31, 2000  
(with comparative total figures for 1999)

	Funds Held by Authority						Funds Held by Trustees		Totals (Note 2)	
	Revenue	Construction	Maintenance	Special	General	Charges	Debt	Debt		
	Fund	Fund	Reserve	Project Reserve	Reserve	Fund	Service	Reserve	2000	1999
Assets										
Cash	\$ 15,430,522	4,001,038	130,181	1,448,795	342,296	5,969	45,603	—	21,404,404	32,962,762
Investments	32,467,729	1,056,577,264	2,424,999	32,899,275	22,372,898	54,970	120,847,023	50,787,600	1,318,431,758	208,918,279
Receivables	16,962,582	467,857	—	2,374,127	—	—	—	—	19,804,566	11,124,636
Interfund accounts, net	(17,029,094)	(4,854,343)	398,949	(2,898,356)	25,216,032	—	(833,188)	—	—	—
Deposits	—	1,303,652	—	—	—	—	—	—	1,303,652	159,949,643
Cost of investment in facilities	—	3,392,346,801	—	—	—	—	—	—	3,392,346,801	3,339,653,871
Other assets	—	—	—	—	—	—	—	—	—	63,670
Total assets	47,831,739	4,449,842,269	2,954,129	33,823,841	47,931,226	60,939	120,059,438	50,787,600	4,753,291,181	3,752,672,861
Liabilities and fund balances										
Liabilities:										
Accrued interest payable	—	—	—	—	—	—	85,744,438	—	85,744,438	77,488,329
Withholdings from employees	492,713	—	—	—	—	—	—	—	492,713	739,919
Amounts retained from contractors and engineers	—	2,472,602	1,703,931	1,132,311	—	—	—	—	5,308,844	5,576,015
Other liabilities	8,252,326	124,270	244,045	277,309	—	—	—	—	8,897,950	11,716,998
Bond indebtedness:										
Turnpike Revenue Bonds, Series 1991 A	—	178,475,000	—	—	—	—	—	—	178,475,000	294,870,000
Turnpike Revenue Bonds, Series 1991 C	—	852,220,000	—	—	—	—	—	—	852,220,000	1,232,115,000
Turnpike Revenue Bonds, Series 1991 D	—	371,000,000	—	—	—	—	—	—	371,000,000	371,000,000
Turnpike Revenue Bonds, Series 1992 A	—	114,625,000	—	—	—	—	—	—	114,625,000	563,060,000
Turnpike Revenue Bonds, Series 1992 B	—	46,459,224	—	—	—	—	—	—	46,459,224	48,981,669
Turnpike Revenue Bonds, Series 2000 A	—	1,467,375,000	—	—	—	—	—	—	1,467,375,000	—
Turnpike Revenue Bonds, Series 2000 B-G	—	400,000,000	—	—	—	—	—	—	400,000,000	—
Total liabilities	8,745,039	3,432,751,096	1,947,976	1,409,620	—	—	85,744,438	—	3,530,598,169	2,605,547,930
Fund balances	39,086,700	1,017,091,173	1,006,153	32,414,221	47,931,226	60,939	34,315,000	50,787,600	1,222,693,012	1,147,124,931
Commitments and contingent liabilities									—	—
Total liabilities and fund balances	\$47,831,739	4,449,842,269	2,954,129	33,823,841	47,931,226	60,939	120,059,438	50,787,600	4,753,291,181	3,752,672,861

See accompanying notes.

New Jersey Turnpike Authority

Statements of Changes in Fund Balances

Year ended December 31, 2000 and 1999

	Funds Held by Authority						Funds Held by Trustee		Totals (Note 2)	
	Revenue Fund	Construction Fund	Maintenance Reserve Fund	Special Project Reserve Fund	General Reserve Fund	Charges Fund	Debt Service Fund	Debt Reserve Fund	2000	1999
Balance as of beginning of year	\$ 39,086,700	961,713,514	1,755,409	28,561,448	33,642,601	—	82,365,259	—	1,147,124,931	1,106,955,613
Add (deduct):										
Revenues and interfund transfer from General Reserve Fund in excess of operating expenses before net debt service	263,337,784	—	—	—	—	—	—	—	263,337,784	236,365,798
Transfers to fund bond interest expense	(122,099,828)	—	—	—	—	—	169,623,447	—	47,523,619	17,548,800
Bond interest expense	—	—	—	—	—	—	(169,623,447)	—	(169,623,447)	(154,976,643)
Payment of other charges	—	—	(26,409,256)	(25,863,002)	—	(1,397,617)	—	—	(53,669,875)	(46,768,637)
Revenue fund transfers	(56,734,331)	—	25,660,000	29,715,775	—	1,358,556	—	—	—	—
Other fund transfers	—	24,900,000	—	—	(25,000,000)	100,000	—	—	—	—
Establishment of Debt Reserve Fund	—	(50,787,600)	—	—	—	—	—	50,787,600	—	—
Sinking fund payment	—	82,365,259	—	—	—	—	(82,365,259)	—	—	—
Sinking fund transfers	(33,215,000)	(1,100,000)	—	—	—	—	34,315,000	—	—	—
Surplus transfer	(51,288,625)	—	—	—	51,288,625	—	—	—	—	—
Required payment to the State of New Jersey	—	—	—	—	(12,000,000)	—	—	—	(12,000,000)	(12,000,000)
Balance as of end of year	\$ 39,086,700	1,017,091,173	1,006,153	32,414,221	47,931,226	60,939	34,315,000	50,787,600	1,222,693,012	1,147,124,931

See accompanying notes.

New Jersey Turnpike Authority

Statements of Cost of Investment in Facilities

Year ended December 31, 2000  
(with comparative total figures for 1999)

	Original Turnpike Extensions and Additional Lanes	Revenues Invested in Facilities	1966 Turnpike Improvement	1971 Turnpike Improvement	1973 Improvement and Funding Program	1977 Turnpike System Revenue Bond Accounts	1984 Turnpike Revenue Bonds	Refunding of 1984 Bonds	1985-1990 Widening Project	Business Plan for the 90's	2000 Construction Fund	Totals	
												2000	1999
Engineering and architectural	\$ 28,083,278	12,125,827	32,051,535	11,566,356	18,997,183	–	–	–	153,068,194	130,677,214	5,915,238	392,484,825	384,548,801
Land, easements and rights-of-way, net of recoveries	25,771,162	6,073,263	28,704,263	4,074,507	7,013,092	–	–	–	24,713,537	429,638,178	(137,825)	525,850,177	525,461,669
Construction, including cost of training and equipping operating personnel, machinery and equipment and miscellaneous pre-operating expenses	371,398,653	69,099,391	390,553,355	103,797,024	30,811,393	–	–	–	386,016,061	525,579,032	22,668,474	1,899,923,383	1,875,854,179
Other costs, including administration	1,869,762	164,427	2,770,920	181,599	307,851	–	–	–	19,331,429	54,726,214	12,214,941	91,567,143	77,745,498
Financial	27,036,418	165,271	245,668,754	22,512,061	23,615,247	12,874,128	67,745,398	7,988,081	594,000,850	576,282,157	53,288,145	1,631,176,510	1,575,088,370
	454,159,273	87,628,179	699,748,827	142,131,547	80,744,766	12,874,128	67,745,398	7,988,081	1,716,902,795	1,559,173,902	93,948,973	44,541,002,038	4,438,698,517
Less income from interim investment of construction funds	7,763,714	3,929	82,042,352	19,485,504	46,808,678	–	–	–	653,015,748	293,407,659	46,127,653	1,148,655,237	1,099,044,646
	\$446,395,559	87,624,250	617,706,475	122,646,043	33,936,088	12,874,128	67,745,398	7,988,081	524,114,323	1,423,495,136	47,821,320	3,392,346,801	3,339,653,871

See accompanying notes.



# New Jersey Turnpike Authority

## Notes to Financial Statements

December 31, 2000

### **1. Organization and Function of the New Jersey Turnpike Authority**

The New Jersey Turnpike Authority (the Authority) is a body corporate and politic created by the New Jersey Turnpike Authority Act of 1948, as amended and supplemented (the Act). The Act authorizes the Authority to construct, maintain, repair and operate the New Jersey Turnpike (the Turnpike System) projects at locations established by law and to issue Turnpike revenue bonds or notes of the Authority, subject to prior approval in writing from the Governor and from either the State Treasurer or the Director of the Division of Budget and Accounting of the Department of the Treasury, payable solely from tolls and other revenues of the Authority. Under the provisions of the Act, the Turnpike bonds or notes and the interest thereon shall not be deemed to constitute a debt or liability or a pledge of the faith and credit of the State or any political subdivision thereof.

The Authority is a component unit of the State of New Jersey and its financial statements are included in the State of New Jersey's Comprehensive Annual Financial Report.

All revenues of the Turnpike System are required to be deposited by the Authority in the Revenue Fund, to be applied in accordance with the provisions of the Turnpike Revenue Bond Resolution, adopted August 20, 1991, as amended, restated and supplemented (the Bond Resolution).

### **2. Summary of Significant Accounting Policies**

#### **Nature of Funds**

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. Resources are allocated to and accounted for in the individual funds based upon the provisions of the Bond Resolution. The various funds are as follows:

- Revenue Fund - This fund is the general operating fund of the Authority. It is used to account for all of the operating revenues and expenses.
- Construction Fund - This fund is used to account for financial resources to be used for cost of investment in facilities. Included in this fund are primarily the proceeds from the issuance of Turnpike Revenue Bonds in 2000 (see Note 5), and unexpended moneys related to projects authorized by previous bond issues.

# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 2. Summary of Significant Accounting Policies (continued)

- Maintenance Reserve Fund - amounts in this fund may be applied to the cost of major resurfacing, replacement, repairs, renewals or reconstruction of the Turnpike System.
- Special Project Reserve Fund - amounts in this fund may be applied to the cost of one or more special projects or additional projects. On an annual basis, the Special Project Reserve Fund is replenished up to the amount of the Special Project Reserve Requirement of \$50,000,000. The required funding is determined by projecting the ending fund balance and comparing it to the Special Project Reserve Requirement. The difference is funded in 12 equal installments over the next fiscal year.
- General Reserve Fund - amounts in this fund are to be used to make required state payments and make up deficiencies in the Revenue Fund, the Debt Service Fund, the Debt Reserve Fund, the Charges Fund, the Maintenance Reserve Fund, and the Special Project Reserve Fund. Subject to certain terms, amounts in this fund which are not required to remedy any such deficiency may be applied to (a) the purchase or redemption of any bonds and expenses in connection therewith; (b) payment of principal and interest due upon redemption of variable rate debt, commercial paper and subordinated indebtedness, if any; (c) payments into the Construction Fund; (d) improvements, extensions, betterments, renewals and replacements of the Turnpike System or the provisions of reserves for these purposes; (e) payments into the Revenue Fund; and (f) any other corporate purpose.
- Charges Fund - this fund is used to pay (a) fees and charges paid to a financial institution under a letter of credit and related reimbursement agreement, line of credit, standby bond purchase agreement or similar agreement; (b) fees and charges paid to the remarketing agent; (c) fees and charges paid to the tender agent; and (d) fees and charges paid to the broker/dealer but only to the extent that the Authority determines the foregoing amounts shall not be paid as operating expenses.
- State Payment Fund - this fund is used to account for the moneys that are to be applied to payments required to be made to the State pursuant to the terms of an agreement between the State and the Authority (see Note 7). This fund has been eliminated in 2000 and payments made to the State are made from the General Reserve Fund.

# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 2. Summary of Significant Accounting Policies (continued)

- Debt Service Fund - this fund accumulates the amounts required for (a) payment of interest and maturing principal amounts on all outstanding Turnpike revenue bonds when due; (b) payment of the redemption price and accrued interest on the bonds to be redeemed; and (c) payment of the purchase price of bonds purchased through application of moneys accumulated in this fund by reason of the payment of any sinking fund installment.
- Debt Reserve Fund - amounts in this fund are to be applied to make up any deficiency in the Debt Service Fund. The Bond Resolution provides that as a condition to the issuance of each series of bonds there shall be deposited in the Debt Reserve Fund the amount, if any, necessary so that the amount in such fund equals the Debt Reserve Requirement calculated immediately after the issuance of such series of bonds. The Debt Reserve Requirement is equal to the greatest amount of interest accruing on the outstanding bond indebtedness in any one year, subject to certain provisions set forth in the Bond Resolution (see Note 5).

Whenever the moneys and investment securities on deposit in the Debt Reserve Fund, together with the amount in the Debt Service Fund, are sufficient to pay in full all outstanding bonds in accordance with their terms, the funds on deposit in the Debt Reserve Fund are to be transferred to the Debt Service Fund.

The Authority may deposit a surety bond, insurance policy or letter of credit payable to the Trustees of the bonds in an amount equal to the difference between the Debt Reserve Requirement and amounts deposited in the Debt Reserve Fund, subject to conditions provided for in the Bond Resolution (see Note 5).

### Basis of Presentation

Accounts of the Authority are maintained in accordance with the practices set forth herein, which are based on the provisions of the Bond Resolution and on the Authority's interpretation of the Bond Resolution. The significant practices, the first two of which differ in material respects from accounting principles generally accepted in the United States, are as follows:

- Depreciation of the Turnpike System and related facilities is not included as an operating expense or otherwise provided.

New Jersey Turnpike Authority

Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

- Transfers from the Construction Fund and Debt Reserve Fund to the Revenue Fund and from the Revenue Fund to the Special Project Reserve Fund and Maintenance Reserve Fund, are presented in the statement of revenues and expenses.
- Cost of investment in facilities are generally recorded when paid except for amounts payable to contractors and engineers that are withheld (as retainage) which are recorded when incurred. Income on unexpended construction funds is credited to cost of investment in facilities when received.
- Cost of investment in facilities also include expenses in connection with the offering, selling, and issuance of bonds and notes; discount on the sale of bonds and notes; costs of issuing and refunding bonds; costs of certain real estate in excess of right-of-way requirements which may be sold and the proceeds applied in reduction of construction costs; certain interest on bonds and notes (less income received on unexpended construction funds); and administrative, legal and certain insurance expenses incurred during the construction period.
- Income on investments and from concessions is recorded when received. Investments are stated at cost.
- Other income and receipts, from whatever source derived, are recorded as revenue when received.
- Operating expenses are recorded when paid except for reserves for general liability insurance claims for which the Authority is self-insured, unemployment insurance premiums withheld from employees, and certain other reasonable and necessary operating expenses which do not recur annually.
- Costs for major repairs, replacements or maintenance items of a type not recurring annually or at shorter intervals and costs for major resurfacing, replacement, repairs, renewals or reconstruction of the Turnpike System are recorded when paid except for amounts payable to contractors and engineers that are withheld (as retainage). Such costs are included in other charges in the accompanying statement of changes in fund balances.

Certain 1999 balances have been reclassified to conform with current year presentation.

New Jersey Turnpike Authority  
Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

“Total” columns contain the totals of the similar accounts of the various funds. Since the assets of the funds are restricted, the combination of the accounts, including the assets therein, is for comparison only and does not indicate that the combined assets are available in any manner other than that provided for in the Bond Resolution.

**3. Investments**

As of December 31, 2000, investments consist of the following:

Repurchase agreements	\$1,032,727,520
Commercial paper	13,824,998
U.S. Treasury backed federal agency discount notes	<u>271,879,240</u>
	<u>\$1,318,431,758</u>

As of December 31, 2000, all of the commercial paper investments are rated at least A1, P1 and mature within a period of sixty days. As of December 31, 2000, all of the repurchase agreements are rated at least AA, bear variable interest rates and mature periodically from January 3, 2001 through December 18, 2019.

**4. Other Liabilities - Revenue Fund**

Other liabilities at December 31, 2000 includes approximately \$2.2 million of funds to satisfy general liability insurance claims for which the Authority is self-insured, approximately \$4.0 million of funds which are designated to satisfy unemployment insurance claims and approximately \$2.1 million of funds designated for other obligations of the Authority all in the Revenue Fund.

**5. Bond Indebtedness**

On April 26, 2000, the Authority issued Series 2000 A and Series 2000 B-G bonds, dated April 1, 2000, in the amounts of \$1,465,375,000 and \$400,000,000, respectively. The proceeds derived from the sale of the Series 2000 were applied to (i) refunding approximately \$868 million of outstanding bonds, (ii) providing funds for the payment of the costs of the projects for the Turnpike System including projects comprising the Authority's 5 year capital program (2000-2005), (iii) providing for capitalized interest on a portion of the Series 2000 Bonds during the construction period, (iv) providing for the required deposit into the Debt Reserve Fund and (v) paying the cost of the issuance of the Series 2000 bonds.

New Jersey Turnpike Authority

Notes to Financial Statements (continued)

**5. Bond Indebtedness (continued)**

As indicated above, a portion of the proceeds of the Series 2000 A Bonds were used to partially refund the Authority's outstanding bonds in order to obtain future interest savings. The Authority refunded outstanding bonds in the following amounts:

Series 1991 A	\$ 89,180,000
Series 1991 C	377,125,000
Series 1992 A	401,455,000
	<u>\$867,760,000</u>

Under the Authority's Plan of Finance, Turnpike Revenue Bonds in an aggregate principal amount totaling approximately \$2.9 billion were issued in 1991 and 1992. This resulted in the refunding or defeasance of all outstanding Turnpike Revenue Bonds, Series 1984 and 1985, and the funding of capital projects contained in the Plan of Finance for the 90's.

As of December 31, 2000, bond indebtedness consists of the following:

Turnpike Revenue Bonds:

Series 1991 A, due January 1, 1994 to 2003 and January 1, 2008 with interest at 5.25% to 6.75%	\$ 178,475,000
Series 1991 C, due January 1, 1994 to 2009 and January 1, 2016 with interest at 4.80% to 6.50%	852,220,000
Series 1991 D, due January 1, 2018, with interest at 6.19% under an interest rate swap agreement (see below)	371,000,000
Series 1992 A, due January 1, 1996 to 2004, with interest at 4.80% to 5.90%	114,625,000
Series 1992 B, due January 1, 2000 to 2012, with yields to maturity at 6.10% to 6.70% (see below)	46,459,224
Series 2000 A, due January 1, 2030 with interest rates at 4.80% to 6%	1,467,375,000
Series 2000 B-G (auction rate bonds), due January 1, 2023 with interest rates at variable rates not to exceed 10%	400,000,000
	<u>\$3,430,154,224</u>

For the Series 1991 C bonds maturing in 2007, the Series 1991 D bonds maturing in 2018, the Series 1992 B bonds, the Series 2000 A and the Series 2000 B-G, principal and interest payments are insured on the stated maturity and interest payment dates through municipal bond insurance other than the Series 2000 A maturing in 2027.

New Jersey Turnpike Authority

Notes to Financial Statements (continued)

**5. Bond Indebtedness (continued)**

Interest on all outstanding bond indebtedness, except for capital appreciation bonds and auction rate bonds (see below) is payable semiannually on each January 1 and July 1. Unless converted to a fixed interest rate, the Series 1991 D bonds pay interest to bondholders at a variable weekly interest rate (the average rate for 2000 was 3.85%) subject to a maximum rate of 12%. Regardless of whether the Series 1991 D bondholders are paid a variable rate or a fixed rate, under an interest rate swap agreement with a financial institution, the Authority will pay interest at a fixed rate of 6.19% for the entire term of the Series 1991 D bonds.

The Series 1992 B bonds, which are capital appreciation bonds, were originally issued in the amount of \$30,016,972 and are reported at their accreted value of \$46,459,224 as of December 31, 2000, and mature annually from January 1, 2000 through January 1, 2012 at accreted values aggregating \$70,200,159.

Series 1991 A, Series 1991 C and Series 1992 A bonds in the principal amount of \$720,005,000 are subject to mandatory redemption prior to maturity in specified principal amounts and such bonds in the principal amount of \$375,965,000 are subject to optional redemption prior to maturity at varying redemption prices. The Series 1992 B bonds are not subject to mandatory or optional redemption prior to maturity. If converted to a fixed interest rate, the Series 1991 D bonds are subject to mandatory redemption prior to maturity in specified principal amounts. The Series 1991 D bonds are also subject to optional redemption prior to maturity.

The Series 2000 A bonds maturing after January 1, 2014 are subject to redemption prior to maturity on or after January 1, 2010 at the option of the Authority in whole or in part at any time and from time to time. The redemption price is 100%, plus accrued interest.

The Series 2000 B-G bonds were issued as auction rate with interest rates not to exceed 10% (the average rate for 2000 was 4.1%). The auction date for the Series B, C, E, and F bonds generally occur every seven days and the auction date for Series D and G generally occur every thirty-five days. Interest on the auction rate bonds will accrue for each auction interest period and will be payable in arrears on each succeeding interest payment date. An interest auction period begins on, and includes, an interest payment date and ends on (but excludes) the next succeeding interest payment date. The final interest payment date on the Series B-G Bonds will be January 1, 2030. These auction rate bonds of each Series are subject to redemption prior to maturity at the option of the Authority in whole or in part at a redemption price of 100%, plus accrued interest.

# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 5. Bond Indebtedness (continued)

All bonds outstanding under the Bond Resolution, together with amounts owed under the interest rate swap agreement, are secured on a parity by a pledge of Net Revenues of the Authority senior in priority to any other Authority obligations secured by such net revenues. The off balance sheet risk associated with this interest rate swap agreement between the Authority and AIG Financial Products Corp., which is not reflected in the accompanying statement of assets, liabilities and fund balances as of December 31, 2000, is a termination payment. This payment, which under certain circumstances could be a substantial amount, would be required to be made by the Authority, if the Authority opted to cancel this agreement. However, the Authority does not intend to terminate this agreement at this time.

In accordance with the Bond Resolution, the Authority, to meet the Debt Reserve Requirement (see Note 2), may maintain a surety bond or insurance policy payable to the Trustee in lieu of the required deposits in the Debt Reserve Fund. As of December 31, 2000, the Authority maintained insurance policies with a face amount of \$97,760,585 and a surety bond with a payment limit of \$72,809,446 and maintained a debt reserve deposit balance of \$50,787,600.

The following table sets forth as of December 31, 2000 payments of principal (through sinking fund installments) and interest to be made to the Debt Service Fund on all outstanding bonds of the Authority for the next five years and thereafter:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2001	\$ 42,087,400	\$ 199,518,100	\$ 241,605,500
2002	71,351,600	197,980,200	269,331,800
2003	102,460,100	193,087,400	295,547,500
2004	70,402,500	189,578,300	259,980,800
2005	74,324,800	186,345,600	260,670,400
Thereafter	3,049,688,000	1,837,963,910	4,887,651,910
	<u>\$3,410,314,400</u>	<u>\$2,804,473,510</u>	<u>\$6,214,787,910</u>

The Authority has covenanted that it will charge and collect such tolls and other charges as shall be required in order that in each calendar year net revenues (as defined) shall at least equal the greater of (1) the sum of the aggregate annual debt service on all outstanding bonds, maintenance reserve payments, and special project reserve payments and payments, if any, to the charges fund for each calendar year; or (2) 1.20 times the



New Jersey Turnpike Authority  
Notes to Financial Statements (continued)

**5. Bond Indebtedness (continued)**

sum of the aggregate annual debt service on all outstanding bonds, for each calendar year. Net revenues were sufficient to satisfy the most restrictive toll covenant requirements for 2000.

For the year ended December 31, 2000, interest expense was comprised of the following:

Turnpike Revenue Bonds, Series 1991 A	\$ 11,727,500
Turnpike Revenue Bonds, Series 1991 C	55,394,300
Turnpike Revenue Bonds, Series 1991 D	22,964,900
Turnpike Revenue Bonds, Series 1992 A	6,752,875
Turnpike Revenue Bonds, Series 2000 A-G	72,783,872
	<u>\$169,623,447</u>

**6. Pension and Deferred Compensation**

Employees of the Authority are covered by the Public Employees Retirement System (PERS) of the State of New Jersey, a cost-sharing multi-employer deferred benefit pension plan. Authority pension plan contributions, amounting to \$-0- in 2000, 1999 and 1998, were based on annual billings received from PERS. Authority employees are also covered by the Federal Social Security Act.

In 1980, the Authority established the Employees Deferred Compensation Plan. All permanent employees are eligible to participate in the plan, which permits participants to defer annually a portion of their salary. The Authority does not make any contributions to the plan.

**7. Commitments and Contingent Liabilities**

In addition to commitments in the normal course of business, the Authority is contingently liable under pending lawsuits and claims in which the Authority is named a defendant. In the opinion of the Authority, the aggregate liability of such actions would not materially affect its financial statements and sufficient funds are available to satisfy payments in connection therewith.

Under the terms of an agreement dated April 27, 1984 and amendments dated August 1, 1995 and March 27, 2000 the Authority agreed to make annual payments to the State of New Jersey to assist in transportation projects. These payments, which aggregate \$12,000,000 annually through 2000 and thereupon increase to \$22 million beginning

# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### **7. Commitments and Contingent Liabilities (continued)**

2001, are due until all obligations of the New Jersey Transportation Trust Fund Authority as set forth in the 2000 Amendment are paid or such payment has been provided for. The payments are made from the General Reserve Fund and are subordinate to debt service payments under all outstanding bonds.

The Authority is committed under contracts related to the Business Plan for the 90's and the 2000 Construction Fund. The contracts are primarily construction contracts and the open commitments totaled approximately \$66,689,900 as of December 31, 2000, all of which are fully funded.

### **8. Electronic Toll Collection Project**

The Authority is the lead agency of an electronic toll collection consortium consisting of the Authority, the New Jersey Highway Authority, the State of Delaware, acting by and through its Department of Transportation, The Port Authority of New York and New Jersey and the South Jersey Transportation Authority (collectively, the "Consortium"). The Consortium members are part of a larger regional group, named the Inter Agency Group, whose function, amongst others, is to allow all its members to interchangeably use their electronic toll collection technology. This means that a Consortium customer may use the ETC facilities at the New York State Thruway, the MTA Bridges and Tunnels, and The Delaware River Port Authority, as well as others. Inter Agency Group members have created a Reciprocity Agreement among its members, whereby valid transponder numbers of customers of other members are exchanged, and accounts are cross-debited as appropriate, in a similar fashion to the way credit card customers have their accounts processed through clearing houses.

The Consortium awarded a contract (the "ETC Contract") to MFS Network Technologies, Inc. ("MFS"), now known as Adesta Communications, on March 10, 1998 for the design, installation and implementation of an electronic toll collection system, the design, installation, marketing, operation and maintenance of a fiber optic system and the design, installation, implementation, maintenance and operation of a customer service center and violations processing center (the "Project"). Financing for the construction costs and initial operating costs of the ETC Project was provided through the issuance by the New Jersey Economic Development Authority (the "NJEDA") of its \$300,000,000 Economic Development Transportation Bonds (Electronic Toll Collection Project) Series 1998 (the "ETC Bonds") due March 7, 2008. The costs and expenses of the ETC Project, including debt service on the ETC Bonds, are to be paid from administrative fees

New Jersey Turnpike Authority  
Notes to Financial Statements (continued)

**8. Electronic Toll Collection Project (continued)**

resulting from toll violations and rents from the leasing of excess fiber optic capacity (“ETC System Proceeds”) and certain other amounts, including investment earnings on prepayments by certain users of the electronic toll collection system, and, in the event ETC System Proceeds and other amounts are inadequate to pay all costs and expenses, then from pro rata contributions by the Consortium members. ETC System Proceeds constitute Pledged Revenues under the Bond Resolution and are subject to the lien and pledge of the Bond Resolution.

Pursuant to the ETC Contract, the Authority is required to make monthly payments (“Monthly Payments”) to the ETC Trustee in an amount equal to the ETC System Proceeds received by the Authority for the immediately preceding month. The ETC Contract provides that a percentage of each Monthly Payment will constitute Operating Expenses of the Authority and the remaining amount of the Monthly Payment will be payable from the Special Project Reserve Fund.

During the year ended December 31, 2000, Monthly Payments in the amount of \$15,928,000 were made by the Authority to the ETC Trustee, of which \$6,212,000 has been recorded as operating expenses. The remaining amount of \$9,716,000 has been recorded as a Special Project Reserve Fund Payment.

Contemporaneously with the execution of the ETC Contract and the issuance of the ETC Bonds, the Authority and the other Consortium members executed a True-Up Agreement, also dated March 10, 1998 (the “True-Up Agreement”). Pursuant to the terms of the True-Up Agreement, the Authority’s initial pro rata share of potential liability is 48% of the total excess, if any, of the costs and expenses of the ETC Project (including debt service on the ETC Bonds) over the ETC System Proceeds, the proceeds of the ETC Bonds and certain other amounts. The Authority’s obligation, if any, to pay its pro rata share is independent of the obligation of any other Consortium member.

On November 30, 2000, the Consortium released a revised forecast of anticipated revenues and expenses (the “Revised Model”). The Revised Model projects a deficiency on March 7, 2008 of \$64,841,000. The Authority’s share (48%) amounts to \$31,124,000. Accordingly, the Authority will reserve one-seventh of its potential liability in 2001 (\$4,500,000). Of the amount, \$1,750,000 will be recorded as an operating expense and \$2,750,000 as a Special Project Reserve Fund payment. On or about November 30th of each year, a revised model will be released and the Authority will adjust its reserves accordingly.

# New Jersey Turnpike Authority

## Schedule of Investments

December 31, 2000

	<b>Interest Rate</b>	<b>Maturity</b>	<b>Par Value</b>	<b>Cost</b>
Revenue Fund:				
U.S. Treasury Backed Federal Agency Discount Notes	4.70% - 6.43%	1/2/01 - 1/24/01	\$ 17,026,000	\$ 16,967,730
Commercial Paper	5.55%	1/4/01	3,403,147	3,399,999
Repurchase Agreements	6.10%	1/4/01	12,128,704	12,100,000
			<u>32,557,851</u>	<u>32,467,729</u>
Construction Fund:				
U.S. Treasury Backed Federal Agency Discount Notes	4.70% - 6.45%	1/2/01 - 3/1/01	79,283,000	78,737,344
Commercial Paper	5.55%	1/4/01	8,007,407	8,000,000
Repurchase Agreements	Variable	1/5/01 - 6/1/05	969,915,073	969,839,920
			<u>1,057,205,480</u>	<u>1,056,577,264</u>
Maintenance Reserve Fund:				
Commercial Paper	5.55%	January 4, 2001	2,427,245	2,424,999
Special Project Reserve Fund:				
U.S. Treasury Backed Federal Agency Discount Notes	6.05% - 6.43%	1/2/01 - 2/6/01	33,162,000	32,899,275
General Reserve Fund:				
U.S. Treasury Backed Federal Agency Discount Notes	5.65% - 6.43%	1/2/01 - 1/17/01	22,515,000	22,372,898
Charges Fund:				
U.S. Treasury Backed Federal Agency Discount Notes	4.90%	1/2/01	55,000	54,970
Debt Service Fund:				
U.S. Treasury Backed Federal Agency Discount Notes	4.90% - 6.38%	1/2/01 - 1/4/01	121,350,000	120,847,023
Debt Reserve Fund:				
Repurchase Agreements	Variable and 6.50%	7/15/01 and 12/18/19	50,787,600	50,787,600
Total investments			<u>\$1,320,060,176</u>	<u>\$1,318,431,758</u>

Note: Repurchase agreements are fully-secured agreements and are rated at least AA.

New Jersey Turnpike Authority  
Schedule of Cash Receipts and Disbursements

December 31, 2000

	Funds Held by Authority						Funds Held by Trustee		
	Revenue Fund	Construction Fund	Maintenance Reserve Fund	Special Project Reserve Fund	General Reserve Fund	Charges Fund	Debt Service Fund	Debt Reserve Fund	Total
Cash balances, December 31, 1999	\$ 31,212,012	1,547,582	14,617	45,268	143,046	—	237	—	32,962,762
Revenues	436,334,734	—	—	—	—	—	—	—	436,334,734
Transfers from Revenue Fund	(108,022,955)	—	25,660,000	29,715,775	51,288,625	1,358,555	—	—	—
Net change in investments	(14,389,463)	(931,432,818)	1,174,315	(4,302,578)	11,126,657	(54,970)	(120,847,023)	50,787,600	(1,007,938,280)
Net change in receivables	(8,426,693)	1,097,049	—	(1,350,286)	—	—	—	—	(8,679,930)
Net change in cost of investment in facilities	—	(52,692,930)	—	—	—	—	—	—	(52,692,930)
Net change in other assets	—	(1,143,819)	—	—	—	—	159,853,480	—	158,709,661
Transfer of funds, net	10,518,402	36,151,660	(451,382)	3,064,293	(50,216,032)	100,000	833,059	—	—
Increase in bond indebtedness	—	920,127,555	—	—	—	—	—	—	920,127,555
Operating disbursements	(172,996,950)	—	(26,409,255)	(25,863,002)	—	(1,397,616)	—	—	(226,666,823)
Sinking fund payment	—	82,365,259	—	—	—	—	(82,365,259)	—	—
Sinking fund transfer	(33,215,000)	(1,100,000)	—	—	—	—	34,315,000	—	—
Transfers to fund bond interest expense	(122,099,828)	—	—	—	—	—	169,623,446	—	47,523,618
Bond interest expense	—	—	—	—	—	—	(169,623,446)	—	(169,623,446)
Payments to State of New Jersey	—	—	—	—	(12,000,000)	—	—	—	(12,000,000)
Establishment of debt reserve fund	—	(50,787,600)	—	—	—	—	—	(50,787,600)	(101,575,200)
Net change in current liabilities	(3,483,737)	(130,900)	141,886	139,325	—	—	8,256,109	—	4,922,683
	(15,781,490)	2,453,456	115,564	1,403,527	199,248	5,969	45,366	—	(11,558,358)
Cash balances, December 31, 2000	\$ 15,430,522	4,001,038	130,181	1,448,795	342,296	5,969	45,603	—	21,404,404

	Cash Balance	Market Value of Securities Pledged to Secure Deposits
Cash balances:		
Toll collectors and other imprest funds	\$ 144,025	—
First Union	11,230,096	53,774,481
Summit Bank	7,254,426	20,023,450
Bank of New York	1,669,552	8,108,140
Fleet Bank	1,056,305	6,474,455
Commerce Bank	50,000	504,845
	\$ 21,404,404	88,885,371

# New Jersey Turnpike Authority

## Schedule of Bond Indebtedness

December 31, 2000

	Original Amount Authorized and Issued	Refunded or Acquired and Canceled in Prior Year	Mandatory Redemption/ Sinking Fund Installments	Accretion of Capital Appreciation Bonds	Amount Outstanding December 31, 2000
Turnpike revenue bonds:					
Series A, 4.75% (1966 issue), maturing January 1, 2006	\$ 179,000,000	(179,000,000)	—	—	—
Series A, 5.12% (1968 issue), maturing January 1, 2008	75,000,000	(75,000,000)	—	—	—
Series C, 5.20% (1968 issue), maturing January 1, 2008	125,000,000	(125,000,000)	—	—	—
Series D, 5.75% (1969 issue), maturing January 1, 2008	60,000,000	(60,000,000)	—	—	—
Series E, 5.87% (1969 issue), maturing January 1, 2008	40,000,000	(40,000,000)	—	—	—
Series F, 7% (1969 issue), maturing January 1, 2009	137,000,000	(137,000,000)	—	—	—
Series G, 5.75% (1972 issue), maturing January 1, 2009	155,100,000	(155,100,000)	—	—	—
	771,100,000	(771,100,000)	—	—	—
Turnpike improvement revenue bonds:					
First series, 5.70% (1973 issue), maturing May 1, 2013	210,000,000	(210,000,000)	—	—	—
General revenue bonds:					
Turnpike revenue bonds (1950 issue), 3.25%, matured January 1, 1985	220,000,000	(220,000,000)	—	—	—
Turnpike revenue bonds (1951 issue), 3.20%, matured January 1, 1986	35,000,000	(35,000,000)	—	—	—
	255,000,000	(255,000,000)	—	—	—
Second series revenue bonds	211,200,000	(211,200,000)	—	—	—
Turnpike notes:					
Series A, 4.62% (1971 issue), matured January 1, 1975	125,500,000	(125,500,000)	—	—	—
Turnpike system revenue bonds:					
First series, 6% (refunding issue), maturing January 1, 2014	202,415,000	(202,415,000)	—	—	—
Turnpike revenue bonds:					
1984 Series, 6.75% to 12%, maturing January 1, 2003 through 2014	501,825,000	(501,825,000)	—	—	—
Turnpike revenue bonds:					
1985 series, bi-modal multi-term format (BMTF):					
Mode 1 (tender dates ranging from one week to July 2, 1990)	2,000,000,000	(2,000,000,000)	—	—	—
Mode A (tender dates ranging from one week to January 1, 2018)	1,000,000	(1,000,000)	—	—	—
	2,001,000,000	(2,001,000,000)	—	—	—
1985 series, Mode A, 7.2% maturing January 1, 2018	2,000,000,000	(2,000,000,000)	—	—	—

New Jersey Turnpike Authority  
Schedule of Bond Indebtedness (continued)

December 31, 2000

	Original Amount Authorized and Issued	Refunded or Acquired and Canceled in Prior Year	Mandatory Redemption/ Sinking Fund Installments	Accretion of Capital Appreciation Bonds	Amount Outstanding December 31, 2000
Turnpike revenue bonds:					
Series 1991 A, 5.25% to 6.90%, maturing January 1, 1994 through 2003, January 1, 2008 and January 1, 2014	\$ 423,205,000	(89,180,000)	(155,550,000)		178,475,000
Series 1991 B, 4.45% to 5.25%, maturing January 1, 1994 and January 1, 1995	79,340,000		(79,340,000)		
Series 1991 C, 4.80% to 6.50%, maturing January 1, 1994 through 2011, January 1, 2013 and January 1, 2016	1,247,850,000	(377,125,000)	(18,505,000)		852,220,000
Series 1991 D, (interest at 6.19% under an interest rate swap agreement) maturing January 1, 2018	371,000,000				371,000,000
Series 1992 A, 4.80% to 6.20%, maturing January 1, 1996 through 2006, January 2012 and January 1, 2018	741,110,000	(401,455,000)	(225,030,000)		114,625,000
Series 1992 B, capital appreciation bonds, maturing January 1, 2000 through 2012 with yields to maturity at 6.10% to 6.70%	30,016,972		(5,400,159)	21,842,411	46,459,224
Series 2000 A, 4.80% to 6.00%, maturing January 1, 2001 through January 1, 2030	1,467,375,000				1,467,375,000
Series 2000 B-G, at variable rates not to exceed 10%, maturing January 1, 2001 through January 1, 2030	400,000,000				400,000,000
	<u>4,759,896,972</u>	<u>(867,760,000)</u>	<u>(483,825,159)</u>	<u>21,842,411</u>	<u>3,430,154,224</u>
	<u>\$11,037,936,972</u>	<u>(7,145,800,000)</u>	<u>(483,825,159)</u>	<u>21,842,411</u>	<u>3,430,154,224</u>

Note:

As of December 31, 2000, bond and note indebtedness totaling \$7,145,800,000 had been defeased or retired from the following sources:

Revenues	\$ 557,840,082
Excess construction funds, bond proceeds and miscellaneous receipts allocated to revenues	20,037,918
Issuance of Series G (refunding issue) Turnpike Revenue Bonds to refund Series F bonds for redemption on January 1, 1979	137,000,000
Portion of proceeds of the 1973 Turnpike Improvement Revenue Bonds used to retire Turnpike notes, Series A	125,500,000
Issuance of Turnpike System Revenue Bonds, first series (refunding) to refund the 5.70% Turnpike Improvement Revenue Bonds, first series, for retirement in accordance with sinking fund installment established at the time of their issuance	210,000,000
Issuance of Turnpike Revenue Bonds, 1984 Series to refund the Turnpike Revenue Bonds Series A through E and Series G and the Turnpike System Revenue Bonds, First Series (refunding), for retirement in accordance with sinking fund installments established at the time of their issuance	724,837,000
Issuance of Turnpike Revenue Bonds, 1985 Series, Mode A used to retire 1985 Series bi-modal, multi-term format Mode 1 Bonds	2,000,000,000
Retirement of Turnpike Revenue Bonds, 1985 Series, Mode A	1,000,000
Issuance of Turnpike Revenue Bonds, Series 1991 A through D to refund Turnpike Revenue Bonds, 1984 Series and a portion of Revenue Bonds, 1985 Series	2,085,460,000
Redemption and retirement of Turnpike Revenue Bonds, 1985 Series from moneys in the Construction Fund	416,365,000
Issuance of Turnpike Revenue Bonds, Series 2000 A to refund a portion of Turnpike Revenue Bonds, Series 1991 A, Series 1991 C and Series 1992 A	876,760,000
	<u>\$7,145,800,000</u>

# New Jersey Turnpike Authority

## Schedule of Toll Revenue

Years ended December 31, 2000 and 1999

Class	Description	2000		1999	
		Toll Revenue	Number of Vehicles (unaudited)	Toll Revenue	Number of Vehicles (unaudited)
1	Passenger car, motorcycle, taxi or hearse, light truck	\$249,952,954	189,615,251	235,190,466	185,555,668
2	Vehicles having two axles other than type described under Class 1	20,198,149	6,830,344	19,613,794	6,700,350
3	Vehicle (vehicles), single or in combination, having three axles	10,493,772	2,938,323	9,047,191	2,636,001
4	Vehicle (vehicles), single or in combination, having four axles	13,748,714	2,627,022	13,174,422	2,594,562
5	Vehicle (vehicles), single or in combination, having five axles	95,772,179	14,418,719	89,571,455	13,819,599
6	Vehicle (vehicles), single or in combination, having six or more axles	1,532,791	178,397	1,061,396	150,147
7	Buses having two axles	643,355	369,495	679,940	377,195
8	Buses having three axles	4,479,842	1,303,040	4,415,107	1,316,925
	Nonrevenue vehicles	—	1,679,410	—	1,744,585
		396,821,756	<u>219,960,001</u>	372,753,771	<u>214,895,032</u>
	Discounts	(2,188,342)		(2,902,573)	
	Violations *	(2,019,500)		—	
	Total adjustments	<u>(578,656)</u>		<u>(354,167)</u>	
		<u>\$392,035,258</u>		<u>369,497,031</u>	

\* During the year ended December 31, 2000, the Authority implemented the electronic toll collection system and accordingly the amounts of violations assessed are reported on this line. As a result of violation activities, some portion of unpaid tolls will be collected in subsequent years.